

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 420 - SB 371**

February 27, 2017

**SUMMARY OF BILL:** Deletes all language of the existing Uniform Disposition of Unclaimed (Personal) Property Act (Tenn. Code Ann. § 66-29-1) and replaces it with the Uniform Unclaimed Property Act (the Act). Excludes foreign transactions from the application of the Act. Authorizes the Treasurer to promulgate rules to carry out this Act. Specifies when certain types of properties are considered abandoned. Sets a general abandonment period of three years for all other property. Authorizes methods in which the Treasurer may take custody of such property. Requires notice be given to property owners prior to the Treasurer taking custody. Authorizes the Treasurer to sell the property after a three year period; but prohibits the sale of military medals.

Requires reports of abandoned property to be submitted to the Treasurer electronically. Changes, from May 1 of each year to November 1 of each year, the date by which holders of abandoned property must report to the Treasurer. Requires property held during 2016 to be reported by May 1, 2017 and property held in 2017 to be reported by November 1, 2018.

Requires funds received under this act to be deposited into the General Fund; however a fund must be maintained sufficient to pay claims and administrative costs associated with the Act. Authorizes local governments to request that funds be remitted on their behalf after a period of 18 months. Authorizes the Treasurer to deduct an amount of funds sufficient to pay administrative costs prior to depositing funds in the General Fund.

Decreases, from ten to five, the number of years the Treasurer may maintain an action or proceeding to enforce payment or recovery of property after a holder files a report or gives notice to the Treasurer of a dispute regarding the property under certain circumstances.

Prohibits the Treasurer from selling a security within three years of receiving the security. If such security is sold prior to six years following the date it is received by the Treasurer, and a valid claim is made for that property, the Treasurer is required to replace the security or give to the claimant the market value of that security at the time of the claim plus dividends, interest, and other increments.

Authorizes the Treasurer to review the records of a putative holder of property. Authorizes a putative holder of property to request an informal conference with the Treasurer following a receipt of determination. Authorizes such holder to seek relief through judicial review. Authorizes the Treasurer to commence action in Davidson County Chancery Court to enforce a determination that a holder must deliver property. Authorizes the Treasurer to issue a penalty against a holder who fails to report or deliver property.

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## **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – \$79,400,000/FY17-18**

**Exceeds \$13,000,000/Each Year FY19-20 through FY22-23  
\$9,000,000/FY23-24 and Subsequent Years**

**Increase State Revenue – \$80,900,000/FY18-19**

**Increase State Expenditures –**

**Exceeds \$155,000/FY17-18 and Subsequent Years**

### **Assumptions:**

- Due to reporting due dates being changed to November 1, 2018 for all property held in 2017, it is assumed property holders will not report abandoned property held in 2017 until FY18-19.
- There will be no reporting deadline in FY17-18.
- Certain properties that would have otherwise been reported to the Treasurer in FY17-18 will not be reported until FY18-19.
- Based on information provided by the Department of Treasury (Treasury), the one-time decrease in state revenue is estimated to be \$62,400,000 in FY17-18.
- There will be a corresponding one-time increase in state revenue of \$62,400,000 in FY18-19 for property that would have otherwise been reported in FY17-18. In addition, there will be a one-time decrease in state revenue in FY18-19 of \$31,200,000 due to the changing of the reporting date in FY18-19 from May 1 to November 1.
- The total net impact in FY18-19 will be a one-time increase in state revenue of \$31,200,000 (\$62,400,000 - \$31,200,000).
- In FY19-20 and subsequent years, there will be an increase in state revenue equal to half of what would have been collected under current law and a corresponding decrease in state revenue equal to half of what would have been collected under current law due to the change in the reporting date. The net impact in FY19-20 and subsequent years is estimated to be not significant.
- Under current law, Tenn. Code Ann §§ 66-29-104 and 66-29-105, unclaimed property held by banking or financial institutions and insurance corporations are presumed abandoned five years after they become due. The proposed legislation will reduce that time period to three years.
- Based on information provided by Treasury, there will be a one-time increase in state revenue estimated to be \$66,700,000 in FY18-19 from decreasing the abandonment time period threshold from five years to three years for these properties.
- Decreasing, from ten to five years, the look back period that the Treasurer may enforce a payment or recovery of a property will limit which payments and properties the Treasurer is able to recover.
- Based on information provided by Treasury, the average annual total recovered from 2012 through 2016 that would not be recovered under a five year look back period rather

than a ten year period was approximately \$9,000,000. This recurring decrease in state revenue of \$9,000,000 will begin in FY17-18.

- Pursuant to Tenn. Code Ann. § 66-29-115, currently securities can be sold by a holder of the property at least one year after the report of the property has been made to the Treasurer. The holder is then required within 60 days of the sale to deliver the funds from such sale to the Treasurer. Increasing the amount of time to three years will result in a decrease in state revenue beginning in FY17-18.
- Based on information provided by Treasury, the total decrease in state revenue in FY17-18 related to sales of securities is estimated to be \$8,000,000. There will be an additional decrease in state revenue in FY18-19 estimated to be \$8,000,000.
- Treasury will hold securities for six years prior to selling the securities due to the risk of selling such securities at one price and a valid claim being made that would require repayment at current market value. There will be an additional decrease in state revenue estimated to exceed \$4,000,000 due to fewer sales of securities in each year FY19-20 through FY22-23.
- Additional fees associated with private entities holding securities will be required.
- Based on information provided by Treasury, the total recurring increase in state expenditures for fees is estimated to exceed \$100,000.
- One additional Accounting technician will be required to manage the additional portfolio and assist with additional transactions. As a result, an additional recurring appropriation from the General Fund will be required.
- The recurring increase in state expenditures from the General Fund for one new position is estimated to be \$54,965 (\$37,000 salary + \$13,065 benefits + \$4,900 supplies/other).
- The total recurring increase in state expenditures is estimated to exceed \$154,965 (\$100,000 + \$54,965).
- The total decrease in state revenue in FY17-18 is estimated to be \$79,400,000 (\$62,400,000 + \$9,000,000 + \$8,000,000).
- The total net increase in state revenue in FY18-19 is estimated to be \$80,900,000 (\$66,700,000 + \$31,200,000 - \$9,000,000 - \$8,000,000)
- The total decrease in state revenue each year FY19-20 through FY22-23 is estimated to exceed \$13,000,000 (\$9,000,000 + \$4,000,000).
- In FY23-24 and subsequent years, the total decrease in state revenue is estimated to be \$9,000,000.

## **IMPACT TO COMMERCE:**

### **Increase Business Revenue – Exceeds \$100,000**

**Other Commerce Impact — Businesses may experience an increase in expenditures related to holding property for longer periods of time as a result of this bill. Any such impact on business expenditures is dependent on multiple unknown factors and cannot be reasonably determined.**

Assumptions:

- Fees paid by the Treasurer to private business holding securities will result in an increase in business revenue estimated to exceed \$100,000.
- Businesses may experience an increase in expenditures related to holding property for longer periods of time as a result of this bill. Any such impact on business expenditures is dependent on multiple unknown factors and cannot be reasonably determined.
- The Treasurer holding securities for longer periods of time could impact the overall price of such security, any such impact is estimated to be not significant.
- Despite this bill requiring one additional position by the Treasurer, it is unclear as to whether that position will be filled by an employee currently employed elsewhere in Tennessee. Any net impact on jobs in Tennessee is considered not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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